

Highlights of Amended Deferred Maintenance Regulations

Approved by the State Allocation Board 4/24/02

BASIC

Regulation Section	Current Practice	Proposed Change	Justification for Change
1866 DEFINITIONS	The basic apportionment is a district's annual deferred maintenance funding to be used for work listed on a current SAB approved Five Year Plan. The maximum basic apportionment is the 100 percent amount calculated in law, which is only apportioned to districts that received a critical hardship apportionment. All other districts receive a prorated basic apportionment based on the availability of State funds.	Added definition to distinguish between maximum and prorated and changed basic apportionment terminology to basic grant.	The difference between the maximum and prorated amount was often unclear; therefore, a definition to explain the two is required.
1866 DEFINITIONS	n/a	Add definition to distinguish between routine vs. deferred maintenance. <i>Routine maintenance:</i> means the school facility component work performed on an annual or on-going basis each year to keep building facilities in proper operating condition. <i>Deferred Maintenance:</i> means the repair or replacement work performed on school facility components that is not performed on an annual or on-going basis but planned for the future and part of the district's Five Year Plan.	Mainly the change was made to provide a distinction between the two types of maintenance. The definition for routine came from language used in the Lease Purchase Program.
1866.4 FIVE YEAR PLAN REQUIREMENTS	Deadline to revise the Five Year Plan for the current fiscal year is May 30 th .	Revise due date to the last working day in June for the current fiscal year.	Inconsistent with the end of the fiscal year and districts should have an opportunity to revise plan up to the last day of the fiscal year.
1866.4 FIVE YEAR PLAN REQUIREMENTS	New law	Require districts to certify that the plan was discussed at a regularly scheduled <i>public</i> hearing with the school district's governing board, each time a revised <i>Deferred Maintenance Five Year Plan</i> , (Form SAB 40-20) is submitted.	EC Section 17584.1(a), AB 939, Statutes of 1999
1866.4.1 PERMISSIBLE USES OF THE DMP BASIC GRANT	Eligible projects are limited to DSA approved and district owned school buildings used for instructional purposes that are located on a school site.	Eligible projects are limited to: 1. Deferred maintenance activities authorized in EC Section 17582(a) or in regulations, which have approached or exceeded its normal life expectancy or has a history of continued repairs indicating a shortened life expectancy, and 2. District owned facilities, which are used for school purposes. A district that is currently leasing relocatables from the State Relocatable Classroom Program may include deferred maintenance work on the Form SAB 40-20 for	The change was made to allow districts more flexibility in spending DM funds.

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BASIC (cont.)

Regulation Section	Current Practice	Proposed Change	Justification for Change
1866.4.1 PERMISSIBLE USES OF THE DMP BASIC GRANT	New Law	Facilities owned by a CSS or leased facilities that are required to be maintained by the CSS, which it is authorized to use or operate pursuant to Article 3, EC Section 17280, Chapter 3, may be included on the Form SAB 40-20.	EC Section 17584, AB 804, Statutes of 2001. <i>Note:</i> For the leased facilities a COE is authorized to use, the COE must be required to maintain these facilities (i.e. lease agreement) in order for State deferred maintenance funds to be expended on it.
1866.4.2 CALCULATION OF BASIC GRANT AND APPORTIONMENT	New Law	Revenues that are passed through to other local educational agencies will be excluded in the calculation of a basic grant.	EC Section 17584, AB 804, Statutes of 2001
1866.4.3 DISTRICT DEPOSIT OF MATCHING SHARE	New law	Annual deposits into the Ongoing and Major Maintenance Account in excess of 2 ½ percent may be used towards the district's matching share. If a district wishes to use these funds towards its match, two methods for reporting the excess have been included on the <i>Certification of Deposits</i> , (Form SAB 40-21).	EC Section 17070.75(2), SB 50, Statutes of 1998
1866.4.5 RELEASE OF STATE FUNDS	The <i>Certification of Deposit</i> , (Form SAB 40-21) is the document, which is submitted by the COE certifying that funds are on deposit in the district's DM Fund prior to the release of State matching funds for the basic grant. This form is due September 30 th , unless the SAB approves an extension.	The <i>Certification of Deposit</i> , (Form SAB 40-21) will need to be submitted to the OPSC no later than 60 days after the basic grant is apportioned by the SAB. Any certifications received after the deadline will be brought to the SAB on a case-by-case basis to determine if the funds will be released prior to the March SAB meeting.	For the past two years the deadline has been extended to November 30 th due to the annual apportionments being made later in the fall. Under the new deadline a district has more time to make the deposit, as it is dependent upon the date of apportionment rather than a calendar date.
1866.4.6 FAILURE TO DEPOSIT MATCHING FUNDS	New law	Requires districts that do not deposit the maximum basic grant to submit a detailed report to the Legislature the following March 1 st stating how the district plans on meeting its deferred maintenance needs without making the full deposit. Per statute copies of the report are to be sent to the SAB. The received reports will be brought to the March SAB meeting as an information item and the OPSC will request that any unmatched apportionments will be adjusted to reflect the actual amount of funds deposited.	EC Section 17584.1(b), AB 939, Statutes of 1999
1866.13 DUPLICATION OF PROJECTS	n/a	Require that when a district performs work in the SFP or Federal Renovation Program, which is also listed on the Five Year Plan, to submit a revised plan removing the work.	The OPSC wants to encourage districts to apply for all school facility programs available, but at the same time these new safeguards are being added to ensure projects do not receive funding from more than one State source, due to the limited funds available in all programs.

EXTREME HARDSHIP GRANT

Regulation Section	Current Practice	Proposed Change	Justification for Change
1866.5.1 APPLICATION SUBMITTALS	<p>In order for OPSC to deem an application for an extreme hardship grant complete, the following documents are required:</p> <ul style="list-style-type: none"> ▪ <i>Critical Hardship Application</i>, Form SAB 40-5 ▪ Detailed cost estimate ▪ Architect or Structural Engineer's report supporting the request. ▪ Plot plan identifying the location of work. ▪ Revised Five Year Plan including the project 	<p>The following documents will be required to deem an application complete, as listed on the <i>Extreme Hardship Funding Application</i>, (Form SAB 40-22):</p> <ul style="list-style-type: none"> ▪ Plot plan identifying the location of the work and 1A diagrams if available. ▪ A licensed architect or structural engineers report detailing how the project qualifies as a critical hardship project as defined in EC Section 17587, a recommended solution to correct the problem, and a description of the work being performed. ▪ A detailed cost estimate of the repairs. Items in the cost estimate will be limited to only the minimum work necessary to mitigate the problem. If the extreme hardship grant request contains work on relocatable facilities, the OPSC may request a cost benefit analysis from the district. ▪ Revised Five Year Plan including the project. ▪ Additional documentation identifying how the request meets the requirements of EC Section 17587 may be required. 	<p>This change was made to expand the requirements of the cost estimate, the detailed involved in the architect's or structural engineers report, and to incorporate the Form into regulation.</p>
1866.5.1 APPLICATION SUBMITTALS	<p>Regulation Section 1866.5 allows a district to apply for funding for multiple critical hardship projects. The district's contribution for the second project can either be:</p> <ol style="list-style-type: none"> 1. A 50 percent cash contribution. 2. Agree to repay its 50 percent share by an offset of future Basic Apportionments for a period not to exceed five years. 	<p>If a district applies and is eligible for more than one extreme hardship grant in the same fiscal year, the district must pay 50 percent of the project with the lowest total estimated cost. The exceptions for a district with only one school are still in place.</p>	<p>The basis for this change was to ensure that eligible districts receive a basic grant every year to continue to maintain those facility components listed on the current Five Year Plan.</p>

EXTREME HARDSHIP GRANT (cont.)

Regulation Section	Current Practice	Proposed Change	Justification for Change
1866.5.2 DETERMINATION OF EXTREME HARDSHIP GRANT AMOUNT AND DISTRICT CONTRIBUTION	The Extreme Hardship Grant is determined by subtracting the maximum basic grant and the state's matching share in the year the critical hardship project receives funding from the total estimated cost of the project.	<ol style="list-style-type: none"> The Extreme Hardship Grant for a district with a maximum Basic Grant and State matching share that is less than \$1,000,000, shall be determined by either of the following: <ol style="list-style-type: none"> For a total project cost that is less than \$1,000,000, the extreme hardship grant will be determined by taking the total project cost less the district's maximum basic grant, less the State's matching share. For a total project cost that exceeds \$1,000,000, the extreme hardship grant will be determined by taking \$1,000,000 less the district's maximum basic grant, less the State's matching share. The total of that amount plus 50 percent of any project costs above \$1,000,000 will be the State's hardship contribution. The district's contribution will be 50 percent of the remaining excess above \$1,000,000 and the district's maximum basic grant. The Extreme Hardship Grant for a district with a maximum basic grant and State matching share that exceeds \$1,000,000, shall be determined by the following: <ol style="list-style-type: none"> From the total project cost deduct the district's maximum Basic Grant and State matching share. The remaining amount will be divided in half between the district and the State. 	<p>EC Section 17588(a) allows the SAB to require a contribution on the part of the district above the maximum basic grant and State matching share.</p> <p>The rationale behind requiring school districts to contribute 50 percent of the project cost over \$1,000,000 was to help limit the repair/replacement work to the minimum work necessary.</p>
1866.5.3 PROJECT CATEGORIES DUE TO INSUFFICIENT STATE FUNDS	Critical hardship projects are assigned one of three priorities for the purposes of funding projects.	<ol style="list-style-type: none"> Revise the requirements to further define what instances constitute a priority one project and added specific language needed in the resolution passed by the governing board. Reduce the number of priorities from one to two. 	These changes were made to ensure that Priority One projects are emergencies in which the school had to close during the school's established school calendar due to the health and safety or structural conditions.
1866.5.3 PROJECT CATEGORIES DUE TO INSUFFICIENT STATE FUNDS	Critical hardship projects that receive an "unfunded" approval are placed on the "unfunded" list by priority order and SAB approval date order. When funds become available projects are funded in the same order.	Critical hardship projects that receive an "unfunded" approval will be placed on the "unfunded" list first by priority order then by the date the complete application was received by the OPSC. When funds become available projects will be funded accordingly.	This change was made in an effort to mirror the School Facility Program process of how a project gets placed and funded from the "unfunded" list. In addition by funding in date received order rather than SAB approval date order, more than likely more projects will get funded.

Revised 5/1/02

EXTREME HARDSHIP GRANT (cont.)

Regulation Section	Current Practice	Proposed Change	Justification for Change
1866.5.4 REIMBURSEMENT	The April 1997 policy for the program allows reimbursement of eligible expenditures up to 90 calendar days prior to SAB approval. However, the current version of the DM Handbook states that the OPSC must determine that the hardship project is eligible for State funding prior to construction.	The OPSC must determine that the critical hardship project is eligible for an extreme hardship grant prior to the start of construction. Conditions have been included for a project that meets the Priority One requirements.	This change was made to ensure that all projects meet the requirements for an extreme hardship grant set in law and reg. Also and to clear up the conflict between the policy and handbook.
1866.5.6 ONGOING PROJECT INCREASE	Ongoing project increases are allowed if additional work is encountered within the scope of work in the original project or the bids are higher than estimated. Any increase amount is funded completely by the State.	A district may receive an increase in funding if additional work is encountered within the scope of work in the original project or the bids are higher than estimated. Any increase amount will be subject to the district contribution requirements of Section 1866.5.2.	Same as above.
1866.5.7 RELEASE OF STATE FUNDS	This year we implemented a new policy, which requires information such as bid documents, plans and specifications, contracts, change orders, to be submitted to the OPSC prior to a release of funds.	Continue the practice but develop a form for the districts to submit along with the requested documents.	By requesting this information, OPSC will be aware of project increases earlier and also to ensure that projects are complying with the PCC. In addition, by turning the control of the release of funds over to the district, the one year timeline is more likely to be met.
1866.5.8 PROGRESS REPORT AND TIME LIMIT ON EXTREME HARDSHIP GRANT	Per law a critical hardship project is one that if not complete within one year could result in serious damage to the facility or would result in serious hazard to the health and safety of pupils. Based on this the DM Handbook states that the project must be completed within one year of SAB apportionment.	<ol style="list-style-type: none"> 1. Put in regulation the one year requirement deadline; however, under specific circumstances the SAB may approve an extension. 2. Require a district to submit a progress report six months after the apportionment if a release of funds has not been requested. 	The basis behind districts submitting progress reports was to assist both the district and the State to ensure that projects are being completed within one year of apportionment.
1866.9 PROGRAM REPORTING REQUIREMENTS	Per the DM Handbook the expenditure report deadline is due 30 days after the final expenditure has been made, but no later than 2 years from apportionment. However, the form used by districts to report expenditures states a different time line.	The expenditure report shall be due no later than two years from the date any funds were released.	This change was made for consistency and to ensure that reports of expenditures were submitted to the OPSC in a timely manner for audits.
1866.9.1 EXPENDITURE AUDIT	Currently there are no timelines in place for OPSC to audit critical hardship projects.	<p>The following timelines have been set for all new extreme hardship grant approvals:</p> <ol style="list-style-type: none"> 1. The OPSC shall start the audit process within one year of receiving an expenditure report. 2. The OPSC shall complete the audit within six months, unless additional information requested by the district has not been received. 	To ensure that the OPSC is auditing expenditures within an appropriate timeframe and that projects are completed within the set timelines.
1866.14 AMENDING AND WITHDRAWAL OF EXTREME HARDSHIP FUNDING APPLICATIONS	n/a	If a district wishes to increase the scope of work after the complete application has been filed with the OPSC, provides provisions that the district must withdraw and re-file the application.	Ensures equity to all districts and does not disadvantage other applications on the workload list or applications not yet filed.

